

## ALBANY BLOCS LACK POWER OF COHESION

Different Groups Are Working Separately to Push Through Pet Bills.

## MILLER HOLDS WHIP

Farm Crowd, in Pressing Knight Measure, Is Opposing Lockwood.

## CHANCES OF COMBINATION

Legislative Session Now Enters Phase Where Vote Swapping Is Probable.

Special Dispatch to THE NEW YORK HERALD.  
New York Herald Bureau.

Curious developments in the Legislature in the last few days have shaped a situation designed perfectly to make a great season for the annual pastime of log rolling and bill swapping, always the feature of the closing days of the session.

If there were a master politician in the Legislature—like Raines or McCarran of the last generation—it would be presumed he had developed the situation with marvelous finesse. But if there is such a one behind the scenes he has kept it a secret. Rather it appears that the singular situation, which opens the way for all manner of trading and funny lawmaking has grown out of the purely selfish activities of the several groups which are trying to grasp something, but none of which is strong enough to control. The farm bloc, consisting of the rural members of the Legislature, is the strongest, with fully twenty votes in the Senate. This group is dead set on jamming through the Knight bill amending the banking law to authorize trust companies and savings banks to invest in Federal farm loan bonds.

**Close to Insurgency.**  
The home rule bloc is made up of legislators from New York, Buffalo and a few other cities who are backing Senator Ward V. Tolbert, Republican, of New York, in his fight to get out some kind of a law giving cities greater right to run their affairs. This comes close to being an insurgent movement in the Republican ranks.

Then there is the little band of serious workers who are set against giving the Lockwood Committee an extension of life and who are in a position to kill the New York investigation unless they can get some of the things they want. These are the up-Staters who regard the local culverts and road building jobs as more important to the State than driving the building grafters out of New York.

There are several other more or less loosely organized groups, each fighting for its own, such as the soldier bonus crowd, the welfare and uplift workers and others.

Were each of the three main groups compact and ably led there might be some kind of deadlock or a situation might develop which would kill off all the important measures not desired by certain lobbies.

**Miller Able to Control.**  
Observers who are watching the little fellows play the game know that when the right moment comes there will be a blast from the second floor where Nathan L. Miller has an office. Then the groups probably will dissolve and the administration program of log flying through both houses while the little politicians hurry to their corners.

It may be possible for the up-State bloc and the city bloc to swap votes enough to save their pet measures; or the anti-Lockwood crowd might come to an agreement with the farm bloc and each get what it wants.

By far the most insistent group is the farm bloc, which is putting up a hard fight for the Knight bill with great promise of success. There is to be a public hearing on the measure before the Senate Banking Committee, when there will be heard big delegations from bankers, farmers and others. Opponents of the measure contend that it will divert millions from real estate to farm development without ample security for the banks, and will add greatly to the housing emergency in the centers of population.

Senator Lockwood is opposing the Knight measure and thereby has stirred up the opposition of the farm bloc to the Lockwood Committee resolution. Lockwood says enactment of the bill would knock the bottom out of the real estate mortgage market in New York. The farm bloc in thirty-seven States have won out in their fight for similar measures. The Knight law simply adds "federal farm loan bonds" as securities in which trust companies and savings banks may invest their funds.

**Inducement for Combining.**  
There is every reason why the farm bloc and home rule bloc might be able to get together and do business. The city representatives, especially from New York, say they are not getting a square deal in that everything they demand for their municipalities is being sidetracked on a promise that it will be taken up in the extra session which the Governor has said he will call to deal with precisely these subjects when the Charter Revision Commission report comes in. But there is no assurance when that session will be called.

It is quite probable, the home rule bloc men say, that the commission may not be ready to report before late autumn or until the next session of the Legislature, so that postponement now may delay action on every bill for a year with the up-State men getting all they want.

Opponents of the Lockwood committee, especially in the Assembly, have an excellent weapon for blackjacking through some of their pet bills. "Give us what we want and we will vote for your resolution," the up-State opponents to the committee are saying, and they may get what they want.

The half dozen administration bills as outlined by the Governor in his first message to the Legislature are now pending are all to be advanced this week. The Republicans in both houses are conferred on the important measures and it will not be necessary to assure passage.

## NATION IS HONEYCOMBED WITH BUCKETEER FRAUDS

Continued from First Page.

house whose affairs are called to the attention of the District Attorney which does not reveal an echo of trouble from distant places. To go no further back than last Thursday—the same day the Anderson, Brown & Co. trouble became public—one finds the case of MacMasters & Co., 82 Broad street, who were expelled from the Consolidated Stock Exchange on a charge of bucketing.

Examination into the affairs of that concern has not been completed, but already it has been revealed that one of the "sucker lists" of that house consisted of the roll of school teachers in one of the largest neighboring cities. How much, if any, those school teachers lost has not yet been ascertained, but it is known that some of them availed themselves of the "opportunities" offered by MacMasters in a certain all stock which now is about as inactive as any stock well could be.

The story of the three Boston brokers, fleeing from Massachusetts under charges of larceny and fraud, who surrendered last week in White Plains, affords another illustration, but examples of this sort could be multiplied almost without limit.

Philadelphia and Pittsburgh appear to be peculiarly attractive to the bucket shop operators. Usually the first place in which a New York bucket shop opens a branch is Philadelphia, and Pittsburgh follows second. Of course, all bucket shops in other cities are not branches of New York concerns by any means. Many of them are local, and operate ostensibly on quotations obtained directly or indirectly from local exchanges.

But in Philadelphia the newspapers recently have been full of the doings of bucket shops, just as have the newspapers of New York. In the city of Brotherly Love the feeling against the ravages of these robbers has run so high at times that public indignation meetings have been held in efforts to drive them out.

Dispatches from Pittsburgh show that Harry H. Rowland, the District Attorney there, has his hands full as a result of bucket shop operations. He told THE NEW YORK HERALD that he has had his investigators busy for months rounding up evidence against suspected concerns. Mr. Rowland said the work there is not yet in position to be discussed in detail, but that the reports being made by his investigators were very encouraging.

In Detroit the local stock exchange has declared war on the bucket shops. Jacob Nathan, president of the exchange, said that the organization is preparing to place a staff of investigators in the field to ferret out bucket shops and obtain information upon the extent of their operations. The Detroit exchange has the cooperation of the Michigan State Banking and Securities Commission in its investigation. Prosecutions are expected soon.

**Entire Country Aroused.**  
In short, it appears that not only New York, but the entire country, is aroused to the dangers in the bucket shop operations, and a widespread effort is being made to stamp out the evil.

The New York Stock Exchange, under the leadership of Seymour Crowell, its president, began a nationwide campaign a number of months ago to use the far-reaching connections of the New York Stock Exchange against the activities of dishonest stock and bond brokers. Not only are the Exchange's own investigators sent to distant cities, but the representatives of exchange brokers and banks in all parts of the country are cooperating with the Exchange in this effort. The results of this campaign already have become apparent in the Exchange's discontinuance of ticker service to bucketting concerns and in a number of bankruptcies.

Most New York bucket shops prefer out of town accounts to New York accounts, and there is one bucket shop in this city which, it is said, will not handle a New York account, but accepts out of town customers exclusively.

The reasons for that preference are clear: First, The out of town man usually is easier to land for a big sum than the New Yorker, and largely for the psychological attitude set forth in the beginning of this article. Second, The element of time involved in the distance between New York and the faraway town operates distinctly to the advantage of the broker who wishes to perpetrate a fraud upon his client.

Third, The element of distance makes the operations of the bucket shop much safer for the crooked manipulator.

**Fleeing Methods Varied.**  
The methods of the bucket shop in fleeing citizens of distant places are as varied as the methods used locally, of which the complaints to Joseph H. Banton, District Attorney of New York county, and the indictments by the Grand Jurors recently have supplied such illuminating samples.

Of course, it must be borne in mind that the bucket shop's "sucker list" is not confined to New York city, but includes prospects in all parts of the country. Remember also that the long distance telephone and the telegraph wires are used almost as freely as the local telephone. Telephone bills frequently run into thousands of dollars a month. The heavy expense is offset by the fact that when that recourse is resorted to it usually is in an effort to bring down big game. Now, added to this equipment the bucket shop's traveling salesman, and you are ready to get down to business.

While the latter subtly flatters the prospect and hints at inside information which the broker has at all times on tap is used upon the out of town prospect just as in New York city, the telephone is not used so much, except to rush a prospect into action. The prospect's suspicions having been put to sleep and his cupidry aroused, the telephone is called suddenly into service some morning.

The manufacturer or merchant in some distant town is surprised and flattered when he is unexpectedly informed that New York is calling on the telephone. He answers the call usually not without a feeling of importance, and is informed that a big pool is just forming for a deal which will result in a "killing." The broker is anxious that he share in the big and quick profits, but he must "act quickly." There is no moment to be

lost. It happens that many thousands of dollars are sent in to the bucket shop through this form of solicitation, and are taken from their rightful owners by the bucketeer at his leisure and in his own devious way.

## Traveling Salesmen Expert.

But it is the traveling producer who is depended upon most largely by the house operating out of New York. This gentleman is the top of the heap in the way of salesmen. His appearance as well as what he has to say must breed confidence. And he must be able to talk—not as the ordinary telephone salesman who shoots a line of chatter as rapidly as he can, hoping to keep his prospect from gaining time to think—in a convincing and dignified manner. He must be able to cope with the smart business man in any conversation regarding not only market conditions but farming, labor economics and all the lines related to the general business situation. He must be able to do this with such promptitude and assertion that it sounds as if he has his finger right upon the very life pulse of business as it courses through New York.

The traveling salesman of a bucket shop covers his itinerary for four or five days a week and then goes back into the office to report progress and receive further instructions.

The man thus sent from "our main offices" to make a special call upon an out of town customer, who, of course, does not suspect the plot to rob him, in two cases out of three works hard upon the vanity of his prospect, and landing a certified check is no hard job at all for a first class traveling producer. Not only that, but the chances are, especially if the customer is allowed to appear to win some small profits, the traveling salesman will find himself entertained at his customer's club, where he is introduced to half a dozen other prospects.

In this fashion the out of town man is landed with fair ease, and his money is taken away from him by any of the methods already described and now familiar.

## Bucketeer Has Cousins.

Closely akin to the bucket shop's out of town operations is that of the wildcat stock promoter. While the bucketeer may deal in listed legitimate stocks worth the money if they were ever delivered, the wildcat stock promoter usually is a seller of absolutely worthless securities. And that sort of a swindler probably is more prevalent throughout the country and equally as damaging as the bucket shop operator.

That scheme amounts simply to promoting a company—oil, mining, motion picture or any of a dozen other classes of enterprises out of which it is generally known that much money had been made—selling the stock, which is virtually worthless in the first place, and keeping 30 to 60 per cent. of the proceeds as remuneration for floating the issue.

It is not infrequent in a campaign of this sort for crews of men to be sent into a town or section of the country for the purpose of combing the section for every dollar that can be picked up. Not only the towns but the rural districts are worked in that fashion, the salesman usually going along the highways in an automobile and stopping at farmhouses with his wild tales of vast fortunes to be made in his stock. To the farmer who gets his money by continuous and painful toil it looks like a godsend.

One company of this sort which has come to the attention of THE NEW YORK HERALD had 110 offices in the Eastern States, employed 1,500 salesmen and had 60,000 clients. The usual "capitalization" of a fake stock company is \$1,000,000 or \$2,000,000, but this concern floated a couple at \$5,000,000 and then launched into one whose capital was to be \$30,000,000.

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## BANTON URGES LAW TO SAVE MILLIONS

Continued from First Page.

providing for periodical inspections of the business of such dealers.

"The United States Government could help. The Government now has a force of competent post office inspectors. A Federal statute might be passed forbidding the use of the mails to market or offer for sale any security until after a thorough investigation by the Post Office Department it was found that such security was sound.

"It is not enough periodically for the District Attorney to prosecute a few crooks and cases then to be imprisoned only to find afterward that there is another outbreak and there are many more crooks to be prosecuted. Heretofore we have been very much like the man from whom one demon was cast, but who later was found in possession of seven demons each more vicious than the one. There should be something done to prevent conditions now existing in New York and to protect the unwary against bucket shops, brokers who trade against customers and traders in worthless securities. Let us purify the stream at the source and not be content with trying to cleanse the tainted waters."

## Brogan for Blue Sky Law.

Strangely enough the ideas expressed by Mr. Banton conform in many ways with those of Mr. Brogan who was in the District Attorney's office under Mr. Banton's predecessor, Edward Swann. Mr. Brogan was one of the first to expose the swindlers who were taking advantage of the holders of Liberty bonds in 1918 and he has been a consistent advocate of a uniform blue sky law and a national security commission.

In his statement of yesterday he said in part: "The newspapers of the city, especially THE NEW YORK HERALD, and the prosecuting officials deserve the praise of the people for bringing to justice the thieves who are being indicted in the present bucketshop exposure. Pitiless publicity, prosecution and punishment, coupled with education and sane legislation, are absolutely necessary to remedy this evil. Eternal vigilance must be the watchword to prevent a recurrence of wholesale swindling and countrywide crookedness. Unless the prosecutions are followed by constructive legislation the relief will be merely temporary, as is evident from prior investigations and prosecutions, and these same crooks will open bucketshops under fictitious names."

Mr. Brogan then related the history of the Federal Stock Publicity Act and the conference held in Washington to drive the crooks out of business without interfering with legitimate business. He recalled that President Wilson, in his message urged the passage of the bill, and continued: "True it is that the thieves were driven to cover, many of them indicted and convicted. But in the meantime the armistice was signed and in the excitement of peace the laws designed to prevent bucketshops and stock swindlers and Liberty loan scalpers, who were interfering with the success of the loan and exchanging bonds for worthless stock."

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"How far will the present exposure of bucket shops reach? Are not the conditions as bad as they were in 1908 during the Hughes investigation, and in 1917? What steps should be taken to abolish or at least to minimize this evil in our financial structure and secure permanent relief?"

"New York ought to be a leader in this movement. At least fifty per cent. of these financial parasites maintain an office in New York, because of its importance as the financial center of the world, although a majority of them belong in the West or perhaps in Canada, or Mexico. The Post Office Department claims the loss is \$1,000,000 a day. Mr. William H. Maxwell, chairman of the Fraudulent Advertising Committee of the

## Bucketeer Gives Tip; Cash Tips Come Back

THE bucket shops of New York have invaded the operating forces of some of the larger hotels, and in one or two instances have succeeded in "hooking" the entire force, it was disclosed yesterday.

The process was begun by a bucketeer who dined frequently at one of the biggest hotels in the city. He tipped his waiter lavishly, finally interested him in an "opportunity" to make money, and soon had all the waiter's pay and tips coming into his own pocket. A slight showing of profits upon a small convention of the entire staff of waiters becoming patrons of that man's bucket shop.

In the same hotel the same scheme was worked upon the bar-ber shop force.

the Investment Bankers Association estimated it at \$500,000,000 a year.

"On February 15, 1922, Attorney General Daugherty reported no less than 450 cases involving \$140,011,231 mulcted from a gullible public pending before Federal courts alone. At the fifteen annual convention of the Association of Life Insurance Presidents in the Hotel Astor last month Alfred R. Horr, vice-president and treasurer of the Equitable Life Assurance Society, urged the formation of a national organization of financial institutions to launch an active campaign to protect the public, who lose \$700,000,000 every year.

## Favored by Daugherty.

"This is the psychological time to strike an effective blow against stock swindling and all forms of commercial and financial frauds. Attorney General Daugherty recently called conferences of all Federal, State and county prosecutors to stop the so-called crime wave. He has gone on record in favor of uniform blue-sky legislation. About forty States have so-called blue-sky laws. Some of these laws contain provisions which, if strictly enforced, would interfere with legitimate business enterprises. Some were framed by those who had little business experience and practically no conception of the real nature of investment banking. The sponsors of the laws have not fully appreciated the importance of converting idle capital into productive force, nor the great service which the banker renders as the agency through which the conversion occurs.

"Personally, I do not believe that State legislation, in itself, is adequate to end this evil. The solution lies in Federal legislation as was recommended by the Treasury Department during the exposure of 1918, supported by uniform blue-sky laws in every State and aided by a National Vigilance Committee of representatives of every prominent financial, business, merchant and manufacturers association or organization in the country.

"To accomplish this a conference ought to be arranged in New York to be attended by the Attorney General, the Federal and County District Attorneys, and representatives of the New York Stock Exchange, the Consolidated Stock Exchange, the New York Curb Association, the Investment Bankers Association, the National Credit Men's Association, the Associated Advertising Clubs of the World, the Merchants' Association, and Chamber of Commerce to arrange for a national convention in Washington of the various blue-sky commissioners or a delegate appointed by the Governor to draft a national securities act and a uniform blue-sky law to be adopted by every State."

## Brokers Favor License.

Mr. Banton's suggestion for the licensing of brokers agrees with the proposal made the other day by George F. Silkworth, president of the Consolidated Stock Exchange. It was ascertained yesterday that representatives of twenty firms connected with that Exchange had met on Saturday and after discussing the situation had agreed to hold a series of meetings and to cooperate with the Exchange in the investigation into the affairs of its own members, which the organization is making and which was announced by Mr. Silkworth at the time he told of the expulsion of the firm of R. H. MacMasters & Co.

Those present at the meeting, which was held upstairs, were members of representative legitimate firms. The chief thought in the minds of those present was the offering of constructive suggestions which would restore the much shaken confidence of the public in the

reputable brokerage houses. It was agreed that it would be an admirable thing to support the Consolidated Exchange in its investigation, which is progressing quite rapidly, but it was also found that the situation is so complicated and involved at present that it will take several meetings and much discussion before any worth while suggestions can be worked out.

It was pointed out at the meeting

that while the bucketting concerns go into business on a shoe-string, make a "killing" and get away, if they avoid prosecution, the legitimate broker, whose service to the community is beyond question, not only has much capital invested and a large overhead, but invariably suffers from the lack of public confidence after the bucketeer has departed from the field.

Assistant District Attorney Jerome

Simmons worked all of yesterday going through the books of concerns against which complaints have been made and new cases will be presented to the Grand Jurors to-day by Mr. Simmons and Assistant District Attorney Schreiber. It is anticipated, too, that within a day or so, some of the bucket shop cases will be moved for trial, so that the week promises to be an active one in the campaign against stock frauds.

# BATTEN



"Yes, I've heard of him"

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